

WEATHER FORECAST.
Partly cloudy and somewhat warmer
to-day and to-morrow.
Highest temperature yesterday, 83; lowest, 68.
Detailed weather reports on last page.

The



Sun.

IT SHINES FOR ALL

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PRICE TWO CENTS.

ALLIES MAKE ADVANCE ON 35 MILE FRONT; AMERICANS AND BRITISH CAPTURE BRAY; LASSIGNY AND ROYE ARE NOW THREATENED

TREASURY FILES WAR AND EXCESS PROFITS PLANS

Tax Will Be Levied in Each
Case to Get Largest
Revenue.

A LEVY ON SOFT DRINKS

\$100,000,000 Yield Expected
—License Imposed on Busi-
nesses and Professions.

Special Despatch to The Sun.
WASHINGTON, Aug. 12.—The Treasury Department submitted today in detail to the Ways and Means Committee the Administration's ideas on the imposition of excess profits taxes and war profits taxes. Prior to the receipt of this communication the committee decided tentatively on the imposition of a heavy tax on soft drinks and instructed a sub-committee to report to-morrow with recommendations for the imposition of a license tax on all businesses and professions. The soft drinks taxes are: Ten cents a gallon on beer and similar fermented beverages containing less than 1% of 1 per cent. alcohol. Ten per cent. on sales of manufacturers, producers, bottlers or importers of soft drinks. Two cents on the retail sale of each soft drink up to 10 cents in price and 3 cents for each additional 10 cents of price. (Provided that soft drinks sold for 7 cents or less shall be taxed only 1 cent.) The soft drink schedule is expected to raise \$100,000,000.

Taxing of Professions.

The sub-committee, considering a license tax on all businesses and professions is expected to recommend a tax of 10 per cent. on wholesalers and a tax of 15 per cent. on retailers and professional men. An exemption will be provided to nullify the tax if the total business done in a taxable year is less than \$2,000.

The SUN is enabled to present herewith the recommendations of the Treasury Department in detail. Summed up, the Treasury would have the excess profits and war profits sections of the new bill provide as follows:

A war profits tax and an excess profits tax shall be provided and in each case the tax which will yield the most money shall be imposed.

For corporations having no capital or only a nominal capital the war profits tax shall be 20 per cent. of the net income above an exemption of \$3,000. However, this exemption shall not apply to foreign corporations. Corporations whose principal income is derived from gains, sales or commissions from Government contracts or whose capital exceeds \$100,000 shall be permitted to come under the provisions of this particular tax.

The deductions allowed before assessing the excess profits tax shall be \$3,000 and 5 per cent. of the net income for the taxable year. However, foreign corporations shall not receive the \$3,000 exemption.

Scale of Excess Profits.

The scale of excess profits shall be: Twenty per cent. of the net income in excess of the deductions and not in excess of 15 per cent. of the invested capital.

Twenty-five per cent. of the net income in excess of 15 per cent. and not in excess of 20 per cent. of the invested capital.

Thirty-five per cent. of the net income in excess of 20 per cent. and not in excess of 25 per cent. of the invested capital.

Forty-five per cent. of the net income in excess of 25 per cent. and not in excess of 30 per cent. of the invested capital.

Sixty per cent. of the net income in excess of 30 per cent. of the invested capital.

The war profits tax shall be 80 per cent. of the net income in excess of the war profits deductions.

The deductions are figured on the "general pre-war percentage," which is defined to mean the percentage of net income to the invested capital for the pre-war period for corporations in general classes to be determined by the Commissioner of Internal Revenue, from returns made for the first taxable year under the revenue law of 1913.

In other words, the average net income for various kinds of business for the pre-war period is reduced to a percentage of the invested capital at that time. However, this percentage is limited to not less than 8 per cent. nor more than 12 per cent. in figuring the amount of deduction which shall be allowed after imposing the war profits taxes.

Classes of Business.

The classes of business in which the "general pre-war percentage" of earnings is to be determined follow:

1. Manufacturing.
2. Mining.
3. Mercantile.
4. Financial.
5. Transportation by land.
6. Transportation by water.
7. Public utilities other than transportation.
8. Miscellaneous.

Within the limits of the "general pre-war percentage" 8 per cent. and 12 per cent.—the determination of the Commissioner of Internal Revenue of the amount which corporations may deduct before

U-BOATS USING A DEADLY GAS ON U. S. COAST

Set Adrift Three Floats
Emitting Fumes Along
North Carolina Shore.

SIX PERSONS OVERCOME

Two Steamers Sunk Off Nan-
tucket and Schooner 200
Miles From N. Y.

WASHINGTON, Aug. 12.—German submarines which are operating off the Atlantic shore of the United States added a "marine gas attack" yesterday to their list of sinkings, and six men who formed a part of the guard at the Coast Guard station and light off the North Carolina coast on Smith Island are suffering from the same brand of gaseous frightfulness that has been found by the men facing the Germans in the trenches.

In addition to the nine fishing vessels reported sunk in North Atlantic waters Saturday and Sunday, these developments were recorded by the Navy Department today.

Three acres of gas emitting oil were launched from submarines off Smith Island. The six men caught by the fumes will recover, and no other attack was made at that point.

Evidence Not Conclusive.

A submarine appeared off the Virginia coast and seventeen depth bombs were fired in her vicinity by destroyers. Oil appeared on the water, but the Department does not accept the evidence as conclusive of her sinking.

Three vessels were sunk—two steamships and a schooner—in North Atlantic waters. The steamships were sunk 100 miles southeast of Nantucket and the schooner 200 miles east of New York. It is believed that nearly all, if not the total, of the ships' companies have been saved.

The Navy Department believes that the submarine work is a part of a systematic campaign that has been started by the German Admiralty on this side of the water.

The novel feature of the attacks lies in the use of gas against the station on Smith Island. So far as anybody knows this is the first time that an undersea boat has tried that method of attack on a coast hostile to Germany.

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Three oil floats.

As it was, three separate oil floats, each charged with poisonous gas that resembled the mustard gas used on the western front, were set adrift from the U-boat. Each of the floats was as large as an acre of ground, and for forty minutes it held its strength. The official report of this novel departure from German submarine methods was issued by the Navy Department as follows:

The Navy Department has received a despatch from the commandant of the Sixth Naval District, Charleston, S. C., stating that an attack with gas was attempted on the North Carolina coast about 5 o'clock Saturday afternoon with the result of temporarily putting out of business the coast guard station and lighthouse personnel. The report goes on to say:

"About forty minutes after the attack three large oil spots, each over one acre in extent, were observed passing by Smith Island to the north. This oil, from which the gas was no doubt generated, must have been released from a submarine in the vicinity of the station to the channel with the hope that it would come in with the tide, but the tide fortunately set along the island."

"Report was made to Col. Chase, Coast Artillery Corps, Fort Caswell, North Carolina, by Capt. Willard of the Smith Island Coast Guard after the effects of the gas were noted. Six men were gassed. No deaths. The gas had the effect of mustard gas and was effective for about thirty or forty minutes. The color of the gas has not yet been ascertained and its effect on trees and shrubbery not yet determined. The entire matter will be investigated and reported."

This incident was reported by Col. Chase to the naval district commandant, Smith Island is off the mouth of the Cape Fear River, near the entrance of the channel to Wilmington, N. C.

Naval officials admitted that the use of gas in such a fashion was a surprise to them, but they insisted that they have always thought that the Germans, inspired by desperation, would undertake some spectacular attack upon the Atlantic coast.

It would cause no surprise, they said, if the U-boats should attempt to slip into some of the coastal harbors and fire shells at cities or seaside resorts. While the Department expects any sort of an attack, it is pointed out that such work can have no possible military effect. The transports and ships engaged in war work are being protected by the navy. What means of protection remains is being given to other craft and to shore stations, but Secretary Daniels will

Continued on Second Page.

British Planes Bomb Frankfurt and Metz

LONDON, Aug. 12.—An official communication issued by the Air Ministry to-night dealing with bombing and raiding operations says that despite the unfavorable weather British airplanes successfully attacked air-planes and chemical works at Frankfurt. Other squadrons attacked the railways at Metz and in airdrome at Haguenau, Alsace.

SOVIET LEADERS FLEE TO SAFETY

Lenine and Trotzky at Cron-
stadt, Tomb of Many
Revolutions.

COLLAPSE IS PREDICTED

Germany Loses Confidence in
Ability of Bolsheviks to
Hold Their Power.

Special Cable Despatch to The Sun from the London Times.

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LONDON, Aug. 12.—The collapse of the Soviet Government now appears to be complete. The report that Nikolai Lenin, the Bolshevik Premier, and Leon Trotzky, his War Minister, have fled to Kronstadt, a strong naval base, twenty miles from Petrograd, is contained in a despatch from Zurich.

This is confirmed to-night by the correspondent of the Berlin Lokai Anzeiger at Helsingfors, who telegraphs that Lenin and Trotzky already are in Kronstadt, with certain members of the Government are expected to follow in flight shortly, the despatch adds.

Several officers of the army and navy have been arrested on a charge of conspiracy against the Soviet. Although several counter-revolutionaries already have been taken to Kronstadt, this information would indicate that the naval base will witness the closing scenes of Bolshevism, as it has many previous incidents revolutionary forms of government.

Conditions in Moscow and Petrograd have been increasingly threatening the existence of the Soviet Government. In both cities strong bodies of infantry and cavalry have been patrolling the streets, arresting all persons unable to produce identification cards. Field guns and machine guns have been planted at all the squares and the principal street corners, for the purpose of cutting down the expected uprising of the social revolutionaries.

Apparently Lenin and Trotzky realized that they could place no dependence upon their troops. What little hold they retained upon their followers undoubtedly was weakened by the departure of Dr. Helfferich, the German Ambassador, to Moscow, which was a tacit admission that Germany had lost faith in the ability of the Bolshevik Government to control the Russian people, and was prepared to desert those who had attempted to hand over Russia for exploitation.

For the last fortnight German newspapers have asserted that the Soviet Government could last but a short time. The correspondent of the Frankfurter Zeitung said that not only were the Bolsheviks harassed and pressed on all sides but the excitement they betrayed in the orders of War Minister Trotzky proved the gravity of the situation.

Bolshevik Chiefs Flee.

Lenine and Trotzky to Move
Trotter Government.

AMSTERDAM, Aug. 12.—The situation in Moscow is less serious than it ever was. The Russian Government, supported by the Bolsheviks, have been sent to fight the Czech-Slovaks, according to the Vorwarts of Berlin. The newspaper adds that they have been replaced by less reliable guards and that the Bolshevik Government appears to be badly shaken.

Wholesale arrests of allied nationals have been made at Moscow, according to despatches from that city to the Lokai Anzeiger.

The newspaper's correspondent writes: "As the British, without any declaration of war, have occupied Russian towns and are shooting Russian citizens, especially members of the Soviet, British subjects and French citizens here, with the exception of old people, fathers of large families and workmen, have been arrested and interned as hostages."

The position of the Soviet Government in Russia is considered very serious by the Moscow correspondent of the Tageblatt of Berlin. It announces that the Czech-Slovak forces have increased from 7,500 to 300,000 and are being reinforced by Serbians, Cossacks and counter-revolutionaries.

FOE REPULSED ON VESSELS.

Perishing Reports Enemy Suffered
Severe Losses.

WASHINGTON, Aug. 12.—Gen. Pershing's report to-day says:

Along the Vesle hostile attacks in the vicinity of Elmer were repulsed with severe losses to the enemy.

AMERICANS AND ANZACS BATTLE HARD ON SOMME

Attack Foe With Dash and
Bravery—Battle Slows Up
While Soldiers Rest.

ALLIES KEEP ON GAINING

Germans Put Up Heavy Fire
With Machine Guns, but
Are Outfought.

By PERRY ROBINSON.

Special Cable Despatch to The Sun from the London Times.

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WITH THE BRITISH ARMY, Aug. 12.—There was no such sensational news today as on the last four days, the exhaustion of the human machine having put a period to the triumphant advance of the Allies. The enemy, moreover, has recovered somewhat from his panic.

With twenty thousand prisoners on the British front alone, in addition to the killed and wounded we have practically blotted out many enemy divisions. Of the divisions that were originally in the line against us only remnants remain. The new reserve divisions, as they are being sent to the area we overran, together with some new guns brought up with all possible speed, make possible a stiffening of the resistance. Though we made some progress we had to fight hard for it.

At Lihons the Germans counter-attacked heavily and succeeded in throwing us back temporarily. The Australian troops then rallied and once more threw the Germans out of the town.

On the Somme there has been some hard fighting, and the Americans, I hear, fought with the greatest bravery. Everywhere I hear the greatest praise for their behavior. They had to attack on ground that was most difficult, and which we had once taken and then lost. They had to face heavy shelling and a concentrated machine gun fire, but they went through steadily and splendidly.

Pushing On Beyond Bray Wood.

After the capture of Bray Wood we pushed on north of Elnhem, where a promontory makes a loop in the river between that town and Bray. The Germans resisted stubbornly, using the old trenches and dugouts that had served them in the 1915 battles. The Australians attacked south of the Somme, but could not get beyond Proyart in the face of great numbers of machine guns. When this attack did not succeed our forces north of the river withdrew for some distance, though they still held their positions a mile west of Bray.

In the evening the resistance to our attack was no stronger on the south side of the river than it was on the north. The attackers were forced to crawl toward the enemy machine guns on their stomachs for the last thousand yards.

North of Proyart we knew that the Germans strongly held a wooded section, and it was not until after two hours of stiff fighting that the Australians got possession. At the same time they worked their way toward the south side of the river, and pressed on all sides to Calvaux wood, another strongly defended position to the east.

Our whole situation in this neighborhood is most improved. Further north the English troops edged forward, pivoting at Dernancourt, and gaining more ground at Meaulte. Besides the fighting in the extreme north of the sector and in the center around Lihons there was also some heavy battling to the south, near the junction of our lines with the French. Here the French were forced to push forward, but in the face of heavy machine gun fire the effort had to be abandoned.

Battle Line Grows Stationary.

The whole battle line tends to grow more stationary and with our guns coming up we will start again the old game of making life miserable for the enemy along the Somme. Already we are pouring a harassing fire into the roads and bridges.

In no former battle has the cooperation of the air forces been so complete, or more valuable to our infantry. Our loss in machines the first day was heavy, but the price was low when the great results are considered. Many of our airmen complained that their greatest difficulty was to avoid collisions with their comrades.

Our bombing machines did magnificent work in bombing the enemy's airdromes and ammunition dumps in the rear. This prevents the Germans from taking to the skies. I understand that our bombers turned the Somme bridges into veritable slaughter houses.

Several hundred of our machines were in the air at the same time, many of them returning to their bases three or four times for new supplies of bombs. One of our two heaviest saw a party of thirty enemy machines, of which seven or eight detached themselves to give battle to our fier. Our men shot down one of the enemy and then turned aside to drop some bombs. This accomplished, they turned to the enemy group again. Our pilot was wounded and fell forward in his seat. The observer, however, reached over and got control of the machine, and by a desperate struggle, under attack all the time by the enemy group, he finally managed to land behind our lines.

GERMAN LINE IS CRUMBLING AS ALLIES PUSH ON

Enemy Unable to Attack
Strongly Except at Lihons
and Chaumes.

SALIENT IN DANGER

Tentons Expected to Intrench
and Renew Efforts to
Negotiate Peace.

By H. SIDEROTHAM.

One of the Foremost Military Critics of Europe.

Special Cable Despatch to The Sun from the London Times.

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LONDON, Aug. 12.—The latest news from the battle front may be stated in a couple of sentences. The British improved their positions in the neighborhood of Bray, and after falling back at Lihons Saturday recovered that village and held it against strong German counter-attacks.

The French are slowly eating their way into the German salient at Roye, which is now in great danger. Over the high, wooded ground between the Matz and the Oise they are approaching Lassigny and the crest of the nearby plateau.

The victorious armies are cashing their gains, among which we may soon hope to count Roye and Lassigny, and are adjusting their line between Albert and Ribecourt. The German reaction is generally weak except in the neighborhood of Lihons and Chaumes.

Progress of the Battle.

The bulletin from the front do not carry the complete story of the day of their issue. There is in consequence a great deal of confusion in the chronology. The sequence of events of the first three days of the battle appears to be as follows:

On Thursday Field Marshal Haig delivered an attack astride the Somme, in which he achieved complete surprise and advanced between the Somme and the North seven or eight miles.

South of the Somme the British progress was less rapid and the surprise less complete, as a result of which the fighting was much harder. The enemy counter-attacked with great violence north of the Somme on Thursday and drove us out of Chilly and off of the ridge between that place and Morlaucourt.

Friday night the Allies reopened the attack on a wider front and advanced beyond Framerville, which was our furthest point on the extreme north of the sector, and east Thursday. North of the Somme the British and American troops carried Morlaucourt and the ridge at Chilly.

Movement Against Montdidier.

The British right and the French left, advancing between the Chaumes railway and the Roye road, began to threaten Chaumes junction. But more important was the entirely new movement begun by the French on the extreme right against Montdidier. This movement had been part of our projected plan from the first. Honor Law spoke on Thursday night of Montdidier as the right of the Somme. The British and American troops carried Morlaucourt and the ridge at Chilly.

On Saturday night the French entered Montdidier and pushed forward rapidly to the wooded country to the east. They outmaneuvered the Germans.

Continued on Fifth Page.

"We'll Get Your Next
Donation in Berlin"

AN optimistic soldier writes to Sergeant "Dear Mr. Sun."

Sergeant M. C. Borland of Company K, 163d Infantry, says: "The Sun Tobacco Fund has been the soldiers' best friend, and everybody Over Here knows it."

And breezy Sergeant Cockerham of Sixteenth Company, Fifth Regiment, sings out: "Hello, Boy, we're having a great hunt here in a wood, giving the Boche hell!"

Note that the post cards from which these quotations were drawn, to be read more fully on page 7, came in a very recent soldiers' mail and were all of them written at the height of the Boche defeat.

WARNING! THE SUN TOBACCO FUND has no connection with any other fund, organization or publication. It employs no agents or solicitors.

KAISER SUMMONS COUNCIL TO STEM TIDE OF DEFEAT

Hammering in West and Bolshevik Collapse in East
Form Crisis Calling for Action—Helfferich
Fears to Go Back to Russia.

Special Cable Despatch to The Sun.
PARIS, Aug. 12.—According to the Strassburger Post the Kaiser has called an important council at imperial headquarters, at which Chancellor Helfferich, Dr. Helfferich, the new German envoy to Russia, and Admiral von Hintze, the new Foreign Secretary, will be present, as will also the military leaders, Field Marshal von Hindenburg and Gen. Ludendorff.

Although the subject for the conference is not announced, it is believed that the question of the present advance and the menace of the Allies against the German line on the front in France, due to the launching of the recent heavy offensive, will be discussed. At the same time the Russian situation will be considered in view of the reported tottering of the Bolshevik regime. All despatches received here are to the effect that important decisions will be reached at the conference.

According to latest despatches from Berlin Ambassador Helfferich does not intend to return to Russia after his conference with the Kaiser. It is said the former Vice-Chancellor has shown signs of great uneasiness ever since the murder of Field Marshal von Eichhorn, the German military dictator in the Ukraine. The fact that several demonstrations were made against him is said to have driven him almost mad.

The correspondent of the Weiser Zeitung confirms this prediction, and adds it is the Ambassador's personal conviction that the Bolshevik rule in Russia is near collapse. His decision, however, is not expected to modify the German policy in Russia, and already there is talk of sending von Rosenberg, who was Dr. von Kuhlmann's collaborator in the Brest-Litovsk treaty, as his successor. It is possible Dr. Helfferich will resign recently vacated by Admiral von Hintze.

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LONDON, Aug. 12.—While there has been comparatively little change in the northern part of the battle front, where German resistance has stiffened considerably since yesterday, in the southern sector the French Third Army has made important advances.

British military circles believe that in the success or failure of the French in taking Lassigny will depend not only the immediate future of the operations, but perhaps the success of the whole summer campaign.

The positions of the Germans now occupying the Lassigny massif are not at all favorable to them, as the French are working around from the northwest.

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LONDON, Aug. 12.—The Allies continued to advance to-day at various points between the Ancre and Oise rivers, a front of thirty-five miles, the territorial gains being somewhat less in area than those of previous days of the battle, but of tremendous strategic value.

Most important of the villages recaptured by the French is Gury, a small place two miles south of Lassigny, on the Lassigny massif. From this new position the French, as soon as they have time to move up some guns, in all probability will be able to force the evacuation of Lassigny, which is their immediate objective. The capture of Lassigny probably will cause a big retirement by the Germans to the east and west on that portion of the battlefield.

All along their front of fifteen miles the French pushed forward, at some points registering a two mile advance.

Further north the British and Americans, after bitter fighting, have gained a foothold in Bray-sur-Somme, which is on the northern bank of the river. On the south side of the Somme the British pushed into Proyart and Fouquencourt, thus further outflanking Chaumes.

Germany Using Up Reserves.

All along the line from the Somme to Chaumes to Roye to Noyon the Germans have thrown in heavy reserve forces which they had intended to use for offensive operations, and with these they have been able to slow up the Allied advance. For the most part, however, the Germans are fighting a delaying action, with no signs of attempting a permanent stand. Their main purpose seems to be to gain time for Gen. von der Marwitz and Von Hutier to move their main armies to the east. Allied airmen report that heavy columns of transports are still hurrying eastward.

The British are finding their hardest fighting in the district close around Chaumes, where the Germans are making a desperate effort to keep the Allies back in order to retain the use of the important lateral railways and highways out of Chaumes. Allied artillery and aircraft are doing their utmost to make the use of these communications unpleasant for the Germans.

The Allies continue to capture prisoners, and while no official estimates were announced it is believed in the allied capitals that more than 42,000 captives have been taken since last Thursday, along with 700 guns and great quantities of war supplies. The French reported the capture of more than 2,000 to-day. All the prisoners give voice to a great delight over their capture, which is accepted by the allied commanders as evidence of a steadily weakening morale back of the enemy lines.

Enemy Fighting for Time.

British and American patrols have advanced as far as Chaumes and Roye, but they were not able to remain. Occupation of these towns would give the Allies control of the roads leading to Neule and Ham. The Germans are well aware of the importance of these roads and for that reason are making desperate efforts to retain them.

The French troops operating on the southern end of the battlefield have gained control of the upland which dominates the Oise Valley. They have also established themselves on the plateau south of Lassigny, from where they command the plains to the south of Roye. The French are moving their guns to these new positions, and when they are in place it is not likely that the

French Editor Calls Formation of Army Great Event.

PARIS, Aug. 12.—Referring to the formation of the first army of the Americans in the field the Journal des Debats says:

"The Americans did not wait until now to give on the battlefield proof of their valor, for on their arrival at the front they fought alongside the British and the French armies. The Americans now are in sufficient number and have acquired enough experience to form a separate army."

"Public opinion will see, moreover, in the formation of this army the result of the efforts accomplished in a year by the United States and a sign of the part which they intend to play in the war. History will record two great events and two examples of what loyal friendship can achieve—the formation of the British armies and that of the Americans."

Wilson Welcomes Editors for Tour of the Country.

WASHINGTON, Aug. 12.—The Italian editors visiting the United States were received to-day by President Wilson. The editors were accompanied to the White House by Consul V. Marchetti, Italian Ambassador, and George Creel of the Committee on Public Information, under the direction of which the editors will make a tour of the country.

"Gentlemen, we are not here in the service of Italy," the President told the party. "We are not here in the service of America. We are here in the greatest of all services—the service which ennobles all who engage in it—the service of mankind. You are going to have a chance to see everything there is."

Wilson Walks to See Aids.

Goes to Offices of Lansing, Baker, Daniels and McAdoo to Confer.

WASHINGTON, Aug. 12.—President Wilson walked this afternoon to the State War and Navy Building, where he conferred with Secretaries Lansing, Baker and Daniels. Later he called on Director-General of Railroads McAdoo. No announcement was made of the subjects discussed.

Germans Fight Frantically
for Chance to Save Men
and Stores.

HEIGHTS ARE TAKEN

Teuton Reserves Being
Used Up in Effort to
Stop Allies.

ENEMY LOSSES ARE HEAVY

Strong Belief Marshal Foch Is
Preparing for Another
Great Attack.

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